800 Nicollet Mall  
Minneapolis, MN 55402

January 28, 2011

Via email: director@fasb.org

Technical Director  
File Reference No. 1890-100  
Financial Accounting Standards Board (FASB)  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Re: File Reference 1890-100 — FASB Discussion Paper — Effective Dates and Transition Methods

Dear Sir or Madam:

U.S. Bancorp (USB) appreciates the opportunity to provide comments on the FASB’s Discussion Paper (DP), Effective Dates and Transition Methods. USB commends the Board for seeking input from stakeholders about the time and effort that will be involved in adapting to the referenced accounting standards and when those standards should become effective. This is important given the potential far-reaching impacts several of these standards are expected to have on financial accounting and reporting. We encourage the Board to continue to consider an implementation plan that helps stakeholders manage the pace and cost of the changes.

USB recognizes the benefits of improved consistency and comparability in financial reporting across worldwide economic markets and supports the efforts and objectives taken on by the FASB and IASB to achieve quality convergence. We encourage the Board to take the time needed to develop high quality standards as well as a timeframe and method for implementation that does not compromise quality for speed. The determination of appropriate effective dates and transition methods for the significant proposals referenced in the DP is dependent on understanding the final standards and assessing the impacts to current processes. Several of the proposals in the DP are still undergoing extensive review and redeliberation and others have not even been issued under formal exposure drafts. While we have included our preliminary views on effective dates and transition methods in this letter, we believe stakeholder feedback could be more specific and meaningful when the outcome on the major projects is more certain.

In addition, USB believes the SEC’s decision about whether and when to potentially incorporate IFRS into the U.S. reporting system should be a key consideration in determining the effective dates of the referenced proposals. Progressing with limited consideration of this decision poses risks, including high costs of implementation and potential subsequent rework, investor and financial statement user confusion, and reduced comparability within financial statements. While the Board has acknowledged this will need
to be considered, we strongly recommend the FASB, IASB and SEC work together to ensure effective dates, transition methods and the potential incorporation of IFRS into the U.S. financial reporting system are coordinated and minimize the anticipated challenges implementation will have on both preparers and users of financial statements.

See our responses below to your specific questions:

**Question 1:** Please describe the entity (or the individual) responding to this Discussion Paper. For example:

(a) Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.

(b) If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.

(c) If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.

(d) If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credent/analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.

(e) Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

U.S. Bancorp, with $308 billion in assets as of December 31, 2010, is the parent company of U.S. Bank, the fifth-largest commercial bank in the United States. USB is publicly traded on the New York Stock Exchange. The company operates 3,031 banking offices in 24 states and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust, and payment services products to consumers, businesses, and institutions. USB is both a preparer of U.S. GAAP financial statements, and a significant user of financial statements for both public and private institutions of all sizes. As a creditor, we extensively utilize financial statement information provided by businesses as part of initial credit approval and ongoing credit monitoring.

**Question 2:** Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

(a) How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?

(b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

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1 Paragraph 12 of the DP indicates the following – “To ensure that all comment letters are prepared on a common understanding, the Board asks respondents to answer the questions without regard to the possibility of IFRSs being incorporated into the U.S. reporting system. The FASB recognizes that it may need to reconsider the effective dates and transition methods of newly issued standards once any decisions about incorporating IFRSs have been made.”

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Ample time for assessment will be needed once final standards are issued. Prior to that, only a limited amount of effort can practically be dedicated to determining the potential impacts and developing a strategy for implementation. USB has begun its preliminary assessment of the proposals with a particular focus on the proposed changes related to financial instruments and leases as the former will likely significantly impact the financial statements we prepare, and the latter will impact our financial statements and those of our customers. Although the FASB and IASB discussions and re-deliberations around these two significant areas are continuing to evolve at a fairly rapid pace, USB is comfortable in providing general feedback based on the discussions to date. Extensive use of resources and time will be required to fully assess these proposals, appropriately train impacted personnel across our organization, educate external stakeholders, and plan for and implement system changes, processes, controls, and reporting mechanisms. As noted below in our response to Question 5, USB believes a minimum of five years is required from the date all standards are finalized to the effective date.

Three of the projects listed in the DP are considered major convergence projects by the FASB and IASB with target completion dates of June 2011 or earlier. Until the outcome of the final guidance is clear, we will have difficulty making an assessment of the system and other operational changes needed and formulating a precise view on a reasonable timeframe for adoption. Notably, the proposed Accounting Standards Update on Financial Instruments and Hedging Activities would change fundamental aspects of financial reporting for financial institutions, including items important to how investors evaluate performance. While we expect systems related implementation costs to be the most significant category, there likely will be many other costs, including internal training, internal control redesign, valuation capability development, and investor education and communication. We believe these costs — and the associated implementation time required — will be significant.

Similarly, the changes proposed to the accounting for leases will impact long-standing business practices if finalized similarly to the proposed exposure draft. As indicated in our letter to FASB regarding file reference No. 1850-100, Leases, systems, processes and conventions have been developed and business modeling has evolved around the existing U.S. lease accounting standards since 1976 when SFAS 13 was introduced. The far-reaching changes proposed to accounting for leases will have significant business and operational impacts. Finally, the financial statement presentation project includes discussion of extensive changes potentially impacting numerous standards. This may require extensive changes to the way transactions are recorded and tracked, and therefore require extensive system changes which will likely take system vendors some time to develop.

**Question 3: Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?**

As with most newly implemented financial reporting standards, there are broader financial reporting impacts. Due to the significant and wide-ranging changes encompassed within the proposed standards referred to in the DP, there will certainly be impacts to bank and other regulatory and tax reporting, as well as legal, contractual, and corporate governance requirements. In particular for financial institutions, some aspects of the proposals would directly impact calculations of regulatory capital. Specific identification of these broader financial reporting impacts related to the proposed standards will require additional discovery time and consideration. Sufficient time will be needed to ensure impacts are vetted with regulators and other users, and any necessary changes to reporting requirements are understood and can be implemented in a manner that does not jeopardize proper and timely reporting. USB encourages the Board to work with these other reporting and oversight bodies (e.g., OCC, FDIC) to ensure any
changes made are considered collectively to mitigate implementation risk and minimize differences in requirements that can create inefficiencies in financial reporting.

**Question 4:** In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

Generally, USB would agree a retrospective transition method allows for increased comparability for multiple periods that users may find useful. However, for certain proposed standards a retrospective transition method may undoubtedly come at a significantly higher cost to build or develop systems and obtain resources to capture and/or retrieve data for retrospective reporting periods and would certainly delay the possible adoption dates. Another concern regarding a retrospective transition is that it may prove impractical for certain proposed standards (for example, it is difficult to exclude subsequent outcomes or events from influencing prior specific point in time views of assumptions to be used for application of certain standards in prior periods such as an evaluation of impairment or fair value).

Due to the costs and impractical operational impacts noted, USB recommends transition under a prospective adoption method applied to existing transactions and instruments for all proposed standards. This could be supplemented with certain pro forma qualitative disclosures related to adoption impacts to prior periods, where material, provided within the supporting notes to the financial statements in the year of adoption.

**Question 5:** In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

(a) Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).

(b) Under a single date approach, what should the mandatory effective date be and why?

(c) Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.

(d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

Although both approaches present advantages and disadvantages, USB prefers a single effective date approach for all proposed standards. As noted in Question 6, USB is not opposed to allowing the option to early adopt any proposed standard, however, notes that certain of the advantages of a single date approach may be lost. The benefits of a single effective date approach include providing users of financial statements comparable and consistent financial statements encompassing all proposed accounting changes in a single period. Alternatively, a sequential approach would potentially "muddy" financial statements by including multiple changes and adoption impacts over multiple periods. A single effective date approach will provide opportunities for one-time dedicated system changes related to interdependent impacts of all issued standards, as opposed to multiple system work plans.

The main disadvantage to a single date approach is that it will require a larger dedicated team and workforce focused on the implementation of a number of significant changes simultaneously and a longer

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timeline for full implementation and adoption. Additionally, there may be constraints on system vendors and external resources. While a sequential approach would potentially provide the ability to adopt certain standards in a more near-term timeframe, a simultaneous approach may avoid the potential rework and related cost impacts that a sequential approach might have. A single effective date would allow users more time to fully educate themselves on the substantive changes and how they impact the financial statements. It would allow preparers additional time to establish well controlled processes and procedures to produce and report meaningful and relevant financial data.

Under a single effective date approach, USB believes a minimum of five years is required from the date all standards are finalized to the effective date. Organizations will require sufficient time to develop, staff, and execute a well organized work plan. Given the complexity of some of the proposals and the interdependencies among them, this will be a significant undertaking and will require a special focus on education to multiple stakeholders, implementing and testing changes to information systems and data capture, and fulfilling numerous new reporting requirements noted in the proposed standards. If a retrospective transition method is required for the proposals, additional time will likely be needed to allow for potential use of parallel reporting processes to efficiently gather the required information over a period of years before the effective date rather than attempting a "look back" and re-creation of past periods prior to the effective date. Consideration should be given to the extra costs that will be incurred under retrospective methods.

Under a sequential approach, the order of the effective dates for the proposed standards should be directly related to the complexity and array of impacts to the financial statements and operational processes. Any standards that affect financial instruments should require the same effective date to mitigate the risk of rework with systems and processes.

**Question 6:** Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are their related requirements that should be adopted at the same time)?

As noted above, there are several advantages to requiring all standards be adopted at single date for both users and preparers. Allowing companies to elect early adoption for some or all of the standards may negate the benefits of consistent and comparable financial statements from a mandatory single date adoption, at least for a temporary period. However, early adoption may provide certain benefits to users and preparers, and therefore, USB does not object to allowing early adoption. Although information may not be comparable across organizations, users may prefer the information they receive in certain of the standards if adopted early. Preparers who choose to adopt early may benefit from changes made that align accounting models where differing models currently exist, and therefore would accelerate synergies within internal operating and reporting systems (for example, different impairment models currently exist for loans depending on whether the loans are originated versus purchased with evidence of credit impairment).

**Question 7:** For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

Delayed effective dates for certain entities may imply extensive complexities within the standard likely impacting all organizations. The primary disadvantages of delays from a user standpoint are
comparability and consistency. As the Board has noted, deferral for a large amount of entities calls into question whether the proposed guidance would meet the cost-benefit test. We recommend the Board assess the operational feasibility (and effective dates and transition methods) for all types of organizations to ensure each standard meets the cost-benefit test, and to promote effective dates and transition requirements that provide comparability, transparency, and consistency for all stakeholders.

**Question 8:** Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

USB believes that the FASB and IASB continue to work together on the joint convergence projects and require the same effective dates and transition methods for these comparable standards. In certain regards, the convergence of standards with the same effective dates and transition may alleviate some concerns about how IFRS may potentially be adopted. For those standards, which are not converged, USB believes effective dates and transition methods should be delayed until further guidance is provided related to whether and how IFRS is adopted into the U.S. financial reporting system. It would be very costly and inefficient to adopt these new accounting standards and then immediately have to make significant changes to systems, processes, controls, and reporting to adopt IFRS.

**Question 9:** How does the Foundation’s ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

The Foundation’s ongoing evaluation of standards setting for private companies does not affect USB’s views on the questions raised in the DP. Our views on this question stem primarily from our role as a financial statement user in connection with underwriting new borrowers and ongoing monitoring of financial statements of existing borrowers in the course of our lending activities. In order to provide comparability, consistency, and transparency, we would consider it reasonable to avoid divergence of accounting standards between public and nonpublic entities. Many privately held companies consist of complex organizational structures which operate many different but comparable businesses to public companies. As such, it is important for consistent and transparent reporting across organizations.

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USB appreciates the opportunity to submit views and would be pleased to discuss our comments with you at your convenience. Please contact me at (612) 303-5238 with questions or if you need additional information.

Sincerely,

Craig E. Gifford
Executive Vice President and Controller

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